

REPORT ON FOURTH SESSION OF HIGH-LEVEL BREAKFAST DISCUSSION AND STRATEGIC THINKING ON THE PEACE PROCESS IN SOUTH SUDAN



FINANCING PEACE: TRANSPARENT MANAGEMENT OF OIL AND
OTHER REVENUES OF GOVERNMENT FOR IMPLEMENTATION OF
R-ARCSS, INCLUDING FUNDS FROM PARTNERS

I - THE FUNCTION AND ATTENDANCE

The Center for Strategic and Policy Studies (CSPS) organized a HIGH-LEVEL BREAKFAST DISCUSSION AND STRATEGIC THINKING ON PEACE PROCESS IN SOUTH SUDAN at Pyramid Continental Hotel in Juba on 29th January 2019. The event brought together hybrid of renowned policy and decision makers, opinion leaders and activists who are linked directly or indirectly to the peace process in South Sudan these includes government, parties, civil society, academia, experts, and diplomatic missions, Bank of South Sudan, World Bank, IGAD and JMEC. The participants arrived at venue at prime morning time and took Breakfast in a reserved section in the hotel's mini Restaurant (07:35h – 08:35h a.m.) before converging in the Conference Room prepared for the Breakfast Discussion, which lasted for 2 hours and half (08:35h to 10:35h).

II – THE OBJECTIVES OF DISCUSSION

The topic of the discussion was “*Financing Peace: Transparent Management of Oil and Other Revenues of Government for Implementation of R-ARCSS, Including Funds from Partners*”. The main objective of the special high-level deliberation was to streamline the following:

- 1). The urgency of special planning and budgeting for R-ARCSS implementation in accordance with the timelines and matrixes of R-ARCSS.
 - Sourcing Funding for the various R-ARCSS committees and other implementation mechanisms
 - Assembly, screening and cantonment of forces.
 - Security, transportation and accommodation of various committee members.
 - Providing working premises for those leading R-ARCSS implementation.
- 2). The prioritization of allocation of oil and non-oil revenues of South Sudan to the institutions that are to steer the implementation of R-ARCSS, ensuring that the fund is managed transparently and accountably with effective auditing.
- 3). The development of clear understanding of cooperation between the government and international partners on timely funding and honest management of resources earmarked for R-ARCSS implementation.
- 4). The necessity of carrying out radical reforms and transformation of public financial management systems with measures taken against obstacles of corruption or incompetence on public institutions.
- 5). The promotion of correct approaches of utilization of national wealth and resources on merits in order to build the state and the nation peacefully for the welfare of the people.
- 6). The importance of making economic sector (public and private) productively diversified and attractively innovative, especially for the good of youth and women as well as for the retired personnel of armed groups.

III – THE KEYNOTE DISCUSSION

Eng. Hans Peter Christophersen¹ honoured the Breakfast Discussion by travelling from Oslo to Juba to give his insights on this topic based on his experience and expertise in oil sector. Professor Marial Awou Yol moderated the deliberations cordially for the audience to share their ideas on how best the oil and other government revenues in South Sudan could be managed productively, transparently and accountably for financing the R-ARCSS, including funds from donors and international partners.

Eng. Christophersen commenced his talk to the invited audience by recalling his time as head of NORAD in Sudan and South Sudan when South Sudan decided to shut down oil and went into war in Heglig in 2012, which he regarded as big lost to the country exacerbated by dropped oil price. According to him *Resources, Revenues, Environment and Security* are key pillars in any successful oil management. However, as far as management of expectations of the people is concerned, “*Oil rarely has a significant knock-on benefit for the local economy*” (Paul Colier). Also, oil industry doesn’t resolve employment problem, though in Norway, 2% of the population are engaged in or through oil sector. But what is important is how oil revenues are utilized to create other jobs in non-oil sector. This depends on how an oil producing country manages price volatility with effective probability forecasts. The prospects have to be planned ahead for a large span of years by the macroeconomic institutions (fiscal and monetary). The Ministry of Finance and the Central Bank must ensure that all oil revenues are not spent totally without thinking of what future shall be for the nation, especially when hit hard by worst times of depletion of hard currency reserves and deficit financing.

He cited Venezuela as the worst example of mismanagement of oil revenues and growth due to exuberant spending while Norway as the best example because of redlining expenditures and reserving for present stabilization and future, especially when the economy is hit by hard times. He cited comparison in Africa where Equatorial Guinea and Gabon stands out to be the richest while Seychelles, Mauritius and Botswana are the best in Human Development Index (HDI) and happiness. Nonetheless, it is an irony that 17 of the 18 poorest countries in Africa are mostly rich in oil and minerals. Their problem is not the abundance of resources, but mismanagement and lack of prioritization in spending.

He regarded Benin as an enigma of being not lucky to benefit from its oil resources because of the manner oil companies have been behaving there. He gave an example of how Seme oil field was discovered in 1968 by Union oil of California, but following oil price rise in 1973, Benin government negotiated with Saga Petroleum to develop the field. Unfortunately, the Agreement was cancelled in 1985 and oil remained as a story of ‘curse’ thereafter. Another example is Ireland where CORRIB Field was discovered by Enterprise Oil in 1996 but nothing was gained due to serious issues of planning on land pipeline and offshore terminal, which delayed the production with major cost overruns though approval was given to Shell in October 2015 to operate the gas terminal.

¹ Eng. Christophersen possess wealth of international experience in oil sector. He is currently a Senior Advisor for NORAD. He was the former Head of Development Section in Royal Norwegian Embassy in Dili, East Timor; former manager of Oil and Gas Innovation World Sector in Norway; former manager of Saga/Pertamina Sumatra Jambil-merging Blocs in Indonesia (1995 – 1996); former Discipline Leader of Geotechnics and Foundations; Chairperson of Energy and Minerals Development Partner Group in Uganda, among other technical assignments.



A further example is Indonesia where 1,500 houses got built in 10 months (led by son of the Prime Minister) in the middle of nowhere in Sungai Kenawang based on speculation on large scale compensation.

Another example is Russia where vast oil and gas reserves on the Arctic tundra and Arctic Sea was affected by unpredictable taxes (corruption) and huge environmental challenges, including pipeline leakage and exposed crude oil storage that was spilled later by heavy rains with a lot of damages to the nature. He connected this situation to the book written by Michela Wong titled *“It’s Our Turn to Eat: The Story of a Kenyan Whistle-Blower”*. He regards all the above mismanagement of oil and other resources as recipe for destruction of countries.

He took the case of East Timor to be closer to that of South Sudan because both countries have similar histories; similar struggles; similar natural resources; and a gap of 9 years of independence from their previous mother countries. The Prime Minister of Timor-Leste, H.E. Kay Rala Xanana Gusmao, visited South Sudan on 17th October 2011 with a ministerial delegation to shake hands with President Salva Kiir Mayardit and share experience with the counterparts in South Sudan on how Timorese had managed their oil revenues successfully and partnered with donor community to develop their country based on researched national plan. They used tax receipts (USD 181 million in petroleum taxes in 2017), royalties and profits from oil business (USD 234 million in 2017) and other petroleum revenues (USD 7 million in 2017). Their fund size increased to USD 954,985,404 from oil and gas business, making it possible for them to fund the priorities set out in their government plans and allocations.

In conclusion of his talk, Eng. Christophersen emphasized on how South Sudan could learn from Norway as the oil producing country in the world with success story summarized in this quote from 1993 NPD: *“Investment in projects for improved recovery represents a considerable additional value in the years ahead. The return from projects for improved recovery may during the next 10-15 years be of the same order of magnitude as the return from exploring for new resources, and many projects for improved oil recovery may be equally profitable as development of new fields.”* This shows how prudent control of oil companies by government is paramount for safeguarding core national interest and welfare of the people.

For South Sudan to benefit from its oil revenue and channel this in the interests of peace in the country, its leaders should take note of the speech of President of African Energy Chamber (NJ Ayuk on 20.01.2019) where he identified 10 developments that will shape Africa’s energy sector in 2019—*New African Frontiers Opening Up; A year to confirm Africa as Global Exploration Hotspot; Africa’s Struggling FLNG Industry; Mega Projects on the Move; International contenders and Pretenders; A complex Energy Diplomacy Dilemma for OPEC in Africa; Africa’s Biggest Petroleum Products Casts their Ballots; Angola’s Steady Road to Reforms; South Sudan’s March to Peace; and A Year to Improve Market Access for east African Producers.*

The march to peace by South Sudan via R-ARCSS Sudan remains the major progression and one on which the entire economy relies. Thus, with commitment demonstrated for the peace process, it is hoped that South Sudanese oil investment will be a win-win endeavor, given the restoration of more oil pumping at Unity fields in January 21, 2019 and promises to do more in other unexplored fields in near future.

Prof. Marial Awou commended the Keynote talk by Eng. Christophersen, underscoring that oil revenue is crucial for R-ARCSS implementation, but how to manage this is the biggest challenge. According to him peace is a public good like the air and natural environment and, therefore, it is very critical to finance it so that South Sudanese do not get back to war. This is also the biggest challenge for the government of South Sudan and international partners who are hesitating whether to accept or reject the R-ARCSS. He then opened the floor for the participants to kick off the discussion on the topic.

IV– THE ACTION POINTS AND WAY FORWARD

The Fourth Session of the HIGH-LEVEL BREAKFAST DISCUSSION AND STRATEGIC THINKING ON THE PEACE PROCESS IN SOUTH SUDAN was successful in its timing; the level of frank and cordial practical sharing of ideas; and proposition for way forward to manage oil revenues and other resources that are needed for financing peace successfully. The keynote talk by Eng. Hans Peter Christophersen and guiding moderation by the economist Prof. Marial Awou Yol provided en lightening comparative thought on what need to be known and done for the future of South Sudan. All the participants commended the importance of the discussed topic as they contributed frankly to bring out these key pillars for oil resource and revenues management with priority given to financing R-ARCSS implementation and peace:



- 1). Political will and leadership for management of resources without condoning corruption, incompetence and lack of the desired performance.
- 2). Peace, security and environmental safety of oil productivity and business with high-quality technology, transparency, accountability and enforced legal frameworks.
- 3). Correct macroeconomic (fiscal and monetary) planning and control of oil-related current expenditures, including setting aside records of reserves for addressing any fallback.
- 4). Continuous research and analyses with probability forecasts of oil price volatility and action for future stabilization through Screw Account and avoidance of odious debts.
- 5). Utilization of oil revenues to create jobs from diversified economic activities in non-oil sector and generate more revenues into government accounts.
- 6). Win-win international partnership for generation and prudent management of oil, gas and other valuable resources.
- 7). Funding peace as a priority, including attention to the welfare of least advantaged sectors of society and creation of relaxing recreation for the citizens and foreigners.

Based on these pillars and garnering the recommended way forward during the high-level engagement of above-mentioned experts and discussants, the following action points have been gleaned for best practices that are urgently required for parties, stakeholders, regional guarantors and international partners to consider for making success story of R-ARCSS on transparent management of oil and other revenues of government of South Sudan:

S/N	Leadership	Citizens	Stakeholders	Guarantors	Partners
1.	Generate and sustain necessary political will to manage oil revenues and other resources of South Sudan responsibly, transparently and accountably in the interest of peace and development.	Support the leadership of the country and international partners in managing and controlling oil revenues and other resources transparently and accountably for peace and development.	Check the government and business companies to manage and control oil revenues and other resources transparently and accountably for peace and development.	Check and support the government, citizens and stakeholders of South Sudan to stick to their commitment of utilizing oil and other resources for financing peace and development.	Encourage the leaders of South Sudan to develop and sustain the will to manage oil and other natural resources responsibly and transparently in the interest of peace and development.
2.	provide security and more safer environment for oil productivity and business with acquisition of high-quality technology of extraction of natural resources	Keep demanding for security and environmental preservation by government and companies operating in oil and other natural resources sector.	Conduct awareness to citizens and government on safety with environmental preservation and compensation of the losses.	Cooperate with the government of South Sudan in ensuring that security and environmental safety is provided in oil and other sectors.	Help South Sudan to acquire modern high-quality oil production technology that preserves the environment accordingly.
3.	Enforce the available economic legal frameworks with credible auditing and serious anti-corruption measures on resources and public finance.	Help the government in enforcing economic legal frameworks without fear or favour of any person or entity that practices corruption.	Keep evaluating the effect of economic legal frameworks on safeguarding oil revenues and other public resources.	Share best practices with government of South Sudan on how to enforce economic legal frameworks effectively in the interest of the nation.	Assist South Sudan to adopt best practices of enforcement of economic legal framework with effective auditing and anti-corruption.
4.	Adopt relevant macroeconomic (fiscal and monetary) planning on oil and other revenues with control of current expenditures so as to set aside reserves for addressing price volatilities	Be watchdog and exert pressure on government officials to implement the planed public projects and minimize too much spending without thinking about economic stability.	Help the government with relevant designs of right planning and management of oil and other revenues so as to secure reserves and address volatilities of price shocks.	Assist the government of South Sudan with best resource planning as well as control of expenditures in order to secure financial reserves and manage price volatilities.	Coach the government of South Sudan in macroeconomic planning on oil sector and management of other natural resources prudently for ensuring financial stability.

5.	Encourage continuous research and analyses with recommendable economic actions for stabilization through Screw Accounts and no odious debts.	Cooperate and help the government to take decisions based on research and correct analyses of the available economic relevant facts.	Assist the government with research and analyses on necessary actions to be taken for stabilization of economy with no bad debts.	Link South Sudan with reputable research institutions that can advise correctly on economic stabilization and debts.	Assist the government of South Sudan to do rigorous research and technical analyses for correct revenues management.
6.	Utilize oil and revenues to create jobs for the citizens from diversified economic activities that generate more revenues into government accounts.	Keep calling upon the government to provide opportunities for employment in diversified economic sectors (e.g, vocational skills and enterprises).	Be part of creation of jobs for the citizens in diversified economic sector and ensuring good income and payment of taxes.	Give South Sudanese special consideration in regional job markets with enhancement of their youth vocational and entrepreneur skills.	Share best experiences with government of South Sudan on how to use oil revenues.
7.	Pursue win-win international partnership for productive generation and prudent management of oil, gas and other valuable resources of South Sudan	Get engaged in public diplomacy and focus on garnering win-win international partnerships, especially sharing experiences on prudent oil management.	Engage with the international partners to ensure win-win economic relations, especially in oil sector and other areas of business.	Engage in cooperation with South Sudan on how to manage and control oil revenues and other resources for inclusive interests of the nations.	Help South Sudan technically to pursue win-win business in oil, gas, gold and sectors with beneficiary investment of resources in the country.
8.	Fund peace activities as a priority, including attention to the welfare of least advantaged sectors of society (children, youth, women and elderly) and creation or of recreation happiness for the citizens and all those residing or visiting South Sudan.	Press on the government and international community to finance peace activities as top priority in the country with contribution offered by the well-off category of the citizens for the welfare of the least advantaged communities and individuals.	Pressure the government to prioritized financing R-ARCSS and the required peace activities, and also lobby with international donors to offer financial and other supports for pushing the peace process forward in South Sudan.	Assist the government of South Sudan in financing R-ARCSS activities and peace process, including lobbying with the partners in the international community to support and fund peace without hesitation.	Provide strict financial support to South Sudan in the interest of peace and development and also to revert the massive donor expenditures on humanitarian sector and emergency sector to development.

ABOUT THE CENTER

South Sudan Center for Strategic and Policy Studies (CSPS) was established in July 2011 with aims of participating in the development of the country through applied research to enhance the debate on governance, nation and state-building in South Sudan, with the purpose of adding objectivity, critical thinking, nurturing strategic thinking, progressive and well-informed leadership.

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FUNDER

This project is funded by the Royal Norwegian Embassy in South Sudan



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